

PANORAMA COMMUNITY SCHOOL DISTRICT  
PANORA, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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# PANORAMA COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Cheryl Castile	President	2003
Jim Russell	Vice President	2004
Alisa Clark	Board Member	2005
Steve Klinkefus	Board Member	2005
Carol Wendl	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Cheryl Castile	President	2006
Jim Russell	Vice President	2004
Alisa Clark	Board Member	2005
Steve Klinkefus	Board Member	2005
Carol Wendl	Board Member	2005
<u>School Officials</u>		
John Millhollin	Superintendent	2004
Sheila Wooldridge	District Secretary/Treasurer	2004
Rick Engel	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Panorama Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Panorama Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Panorama Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Panorama Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2004 on our consideration of Panorama Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 42 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The district has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panorama Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed qualified opinions on those financial statements due to incomplete records for the Proprietary Fund capital assets. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
October 19, 2004

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## Basic Financial Statements

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 986,547	\$ 60,200	\$ 1,046,747
Cash with fiscal agent	3,795,701	-	3,795,701
Receivables:			
Property tax:			
Current year	42,009	-	42,009
Succeeding year	2,503,163	-	2,503,163
Due from other governments	100,211	-	100,211
Interfund balances (note 4)	9,869	(9,869)	-
Inventories	-	4,144	4,144
Restricted ISCAP assets (note 5):			
Investments	253,366	-	253,366
Accrued interest receivable	17	-	17
Capital assets, net of accumulated depreciation (note 6)	6,193,440	55,363	6,248,803
<b>Total assets</b>	<b>13,884,323</b>	<b>109,838</b>	<b>13,994,161</b>
<b>Liabilities</b>			
Accounts payable	72,301	-	72,301
Salaries and benefits payable	440,529	9,995	450,524
Accrued interest payable	59,453	-	59,453
ISCAP warrants payable (note 5)	252,000	-	252,000
ISCAP accrued interest payable (note 5)	21	-	21
Deferred revenue:			
Succeeding year property tax	2,503,163	-	2,503,163
Long-term liabilities (note 7):			
Portion due within one year:			
Bonds payable	255,000	-	255,000
Special assessment payable	7,612	-	7,612
Early retirement payable	8,099	-	8,099
Portion due after one year:			
Bonds payable	7,865,000	-	7,865,000
Special assessment payable	45,668	-	45,668
Early retirement payable	1,677	-	1,677
<b>Total liabilities</b>	<b>11,510,523</b>	<b>9,995</b>	<b>11,520,518</b>



PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 1,869,141	\$ 55,363	\$ 1,924,504
Restricted for:			
Physical plant and equipment levy	34,903	-	34,903
Other special revenue purposes	17,080	-	17,080
Capital Projects	12,772	-	12,772
Unrestricted	439,904	44,480	484,384
Total net assets	\$ <u>2,373,800</u>	\$ <u>99,843</u>	\$ <u>2,473,643</u>

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,443,727	\$ 194,682	\$ 357,837	\$ -
Special instruction	668,486	-	112,892	-
Other instruction	495,735	162,271	10,061	-
	<u>3,607,948</u>	<u>356,953</u>	<u>480,790</u>	<u>-</u>
Support services:				
Student services	112,572	-	-	-
Instructional staff services	152,946	-	-	-
Administration services	464,257	-	-	-
Operation and maintenance of plant services	559,542	2,862	-	-
Transportation services	377,901	50	1,061	-
	<u>1,667,218</u>	<u>2,912</u>	<u>1,061</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	24,937	-	-	-
Long-term debt interest and fiscal charges	401,613	-	-	-
AEA flowthrough	200,632	-	200,632	-
Depreciation (unallocated) *	163,499	-	-	-
	<u>790,681</u>	<u>-</u>	<u>200,632</u>	<u>-</u>
Total governmental activities	6,065,847	359,865	682,483	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>261,310</u>	<u>143,312</u>	<u>111,310</u>	<u>-</u>
Total	\$ <u>6,327,157</u>	\$ <u>503,177</u>	\$ <u>793,793</u>	\$ <u>-</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,891,208)	\$ -	\$ (1,891,208)
(555,594)	-	(555,594)
(323,403)	-	(323,403)
<u>(2,770,205)</u>	<u>-</u>	<u>(2,770,205)</u>
(112,572)	-	(112,572)
(152,946)	-	(152,946)
(464,257)	-	(464,257)
(556,680)	-	(556,680)
(376,790)	-	(376,790)
<u>(1,663,245)</u>	<u>-</u>	<u>(1,663,245)</u>
(24,937)	-	(24,937)
(401,613)	-	(401,613)
-	-	-
(163,499)	-	(163,499)
<u>(590,049)</u>	<u>-</u>	<u>(590,049)</u>
(5,023,499)	-	(5,023,499)
-	(6,688)	(6,688)
<u>(5,023,499)</u>	<u>(6,688)</u>	<u>(5,030,187)</u>

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (notes 12 and 13)

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 2,159,352	\$ -	\$ 2,159,352
479,447	-	479,447
264,489	-	264,489
12,772	-	12,772
2,022,278	-	2,022,278
57,307	518	57,825
9,467	-	9,467
5,005,112	518	5,005,630
(18,387)	(6,170)	(24,557)
2,392,187	106,013	2,498,200
<u>\$ 2,373,800</u>	<u>\$ 99,843</u>	<u>\$ 2,473,643</u>

## PANORAMA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<hr/>				
Assets				
Cash and pooled investments	\$ 842,989	\$ 12,167	\$ 131,391	\$ 986,547
Cash with fiscal agent	-	3,795,701	-	3,795,701
Receivables:				
Property tax:				
Current year	30,281	6,665	5,063	42,009
Succeeding year	1,737,012	433,955	332,196	2,503,163
Interfund receivable (note 4)	9,869	-	-	9,869
Due from other governments	95,872	-	4,339	100,211
Restricted ISCAP assets (note 5):				
Investments	253,366	-	-	253,366
Accrued interest receivable	17	-	-	17
	<hr/>			
Total assets	\$ <u>2,969,406</u>	\$ <u>4,248,488</u>	\$ <u>472,989</u>	\$ <u>7,690,883</u>
<hr/>				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 58,544	\$ -	\$ 13,757	\$ 72,301
Salaries and benefits payable	440,529	-	-	440,529
ISCAP warrants payable (note 5)	252,000	-	-	252,000
ISCAP accrued interest payable (note 5)	21	-	-	21
Deferred revenue:				
Succeeding year property tax	1,737,012	433,955	332,196	2,503,163
Total liabilities	<u>2,488,106</u>	<u>433,955</u>	<u>345,953</u>	<u>3,268,014</u>
Fund balance:				
Reserved for:				
State grants	714	-	-	714
Debt service	-	3,814,533	-	3,814,533
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	114,264	114,264
Undesignated	480,586	-	12,772	493,358
Total fund balances	<u>481,300</u>	<u>3,814,533</u>	<u>127,036</u>	<u>4,422,869</u>
	<hr/>			
Total liabilities and fund balances	\$ <u>2,969,406</u>	\$ <u>4,248,488</u>	\$ <u>472,989</u>	\$ <u>7,690,883</u>

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

Total fund balances of governmental funds	\$ 4,422,869
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,193,440
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(59,453)
Long-term liabilities, including bonds and special assessments payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,183,056)</u>
Net assets of governmental activities	<u>\$ 2,373,800</u>

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,063,159	\$ 479,447	\$ 371,804	\$ 2,914,410
Tuition	133,219	-	-	133,219
Other	80,307	51,986	164,466	296,759
State sources	2,459,527	-	-	2,459,527
Federal sources	241,449	-	-	241,449
Total revenues	4,977,661	531,433	536,270	6,045,364
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,452,294	-	12,699	2,464,993
Special instruction	668,486	-	-	668,486
Other instruction	326,542	-	169,193	495,735
	3,447,322	-	181,892	3,629,214
Support services:				
Student services	112,572	-	-	112,572
Instructional staff services	152,946	-	-	152,946
Administration services	460,704	-	-	460,704
Operation and maintenance of plant services	401,214	-	155,390	556,604
Transportation services	340,755	-	10,434	351,189
	1,468,191	-	165,824	1,634,015
Other expenditures:				
Facilities acquisition	-	-	344,813	344,813
Long term debt:				
Principal	-	240,000	-	240,000
Interest and fiscal charges	-	384,697	-	384,697
AEA flowthrough	200,632	-	-	200,632
	200,632	624,697	344,813	1,170,142
Total expenditures	5,116,145	624,697	692,529	6,433,371
Deficiency of revenues under expenditures	(138,484)	(93,264)	(156,259)	(388,007)



PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Debt Service	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	\$ 2,096	\$ -	\$ -	\$ 2,096
Interfund transfers in	-	-	300	300
Interfund transfers out	-	(300)	-	(300)
General obligation bonds issued	-	3,905,000	-	3,905,000
Total other financing sources (uses)	<u>2,096</u>	<u>3,904,700</u>	<u>300</u>	<u>3,907,096</u>
Net change in fund balances	(136,388)	3,811,436	(155,959)	3,519,089
Fund balances beginning of year	<u>617,688</u>	<u>3,097</u>	<u>282,995</u>	<u>903,780</u>
Fund balances end of year	<u>\$ 481,300</u>	<u>\$ 3,814,533</u>	<u>\$ 127,036</u>	<u>\$ 4,422,869</u>

See notes to financial statements.

## PANORAMA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 3,519,089

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 312,264	
Depreciation expense	<u>(199,702)</u>	112,562

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 247,612

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (16,916)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 24,266

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (3,905,000)

Change in net assets of governmental activities \$ (18,387)

See notes to financial statements.

## PANORAMA COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 60,200
Inventories	4,144
Capital assets, net of accumulated depreciation	<u>55,363</u>
Total assets	<u>119,707</u>
Liabilities	
Interfund payable (note 4)	9,869
Salaries and benefits payable	<u>9,995</u>
Total liabilities	<u>19,864</u>
Net Assets	
Invested in capital assets	55,363
Unrestricted	<u>44,480</u>
Total net assets	<u>\$ 99,843</u>

See notes to financial statements.

PANORAMA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>143,312</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	77,070
Benefits	26,322
Purchased services	8,240
Supplies	140,158
Depreciation	9,520
	<u>261,310</u>
Operating loss	<u>(117,998)</u>
Non-operating revenues:	
Interest on investments	518
State sources	4,011
Federal sources	107,299
Total non-operating revenues	<u>111,828</u>
Change in net assets	(6,170)
Net assets beginning of year, as restated (note 12)	<u>106,013</u>
Net assets end of year	\$ <u><u>99,843</u></u>

See notes to financial statements.

## PANORAMA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 136,610
Cash received from miscellaneous operating activities	6,702
Cash payments to employees for services	(93,246)
Cash payments to suppliers for goods or services	<u>(133,799)</u>
Net cash used in operating activities	<u>(83,733)</u>
Cash flows from non-capital financing activities:	
State grants received	4,011
Federal grants received	<u>93,929</u>
Net cash provided by non-capital financing activities	<u>97,940</u>
Cash flows from investing activities:	
Interest on investments	<u>518</u>
Net increase in cash and cash equivalents	14,725
Cash and cash equivalents beginning of year	<u>45,475</u>
Cash and cash equivalents end of year	<u>\$ 60,200</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (117,998)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,520
Commodities used	13,370
Decrease in inventories	1,229
Increase in interfund payable	9,869
Increase in salaries and benefits payable	<u>277</u>
Net cash used in operating activities	<u>\$ (83,733)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$13,370 of federal commodities.	

See notes to financial statements.

# PANORAMA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 1. Summary of Significant Accounting Policies

Panorama Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Panora, Iowa, portions of the Cities of Bagley, Yale, and Jamaica, Iowa, and the agricultural territory in Guthrie, Dallas, and Greene Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Panorama Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Panorama Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Guthrie County Assessor's Conference Board.

The District also appoints a voting majority of the Panorama Community School District Foundation Board, which is considered a related organization.

#### B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.



PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	8-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Physical Plant and Equipment Levy	Debt Service	\$ <u>300</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

Details of interfund receivables and payables at June 30, 2004 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise - School Nutrition	\$ <u>9,869</u>

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/2004	6/30/2005	\$ <u>253,366</u>	\$ <u>17</u>	\$ <u>252,000</u>	\$ <u>21</u>

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.000%	1.050%
2004-05A	3.000%	2.463%

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 79,750	\$ -	\$ -	\$ 79,750
Construction in progress	-	197,394	-	197,394
Total capital assets not being depreciated	<u>79,750</u>	<u>197,394</u>	<u>-</u>	<u>277,144</u>
Capital assets being depreciated:				
Buildings	6,782,131	-	-	6,782,131
Improvements other than buildings	378,452	114,870	-	493,322
Furniture and equipment	896,347	-	70,000	826,347
Total capital assets being depreciated	<u>8,056,930</u>	<u>114,870</u>	<u>70,000</u>	<u>8,101,800</u>
Less accumulated depreciation for:				
Buildings	1,217,683	136,583	-	1,354,266
Improvements other than buildings	167,474	24,666	-	192,140
Furniture and equipment	670,645	38,453	70,000	639,098
Total accumulated depreciation	<u>2,055,802</u>	<u>199,702</u>	<u>70,000</u>	<u>2,185,504</u>
Total capital assets being depreciated, net	<u>6,001,128</u>	<u>(84,832)</u>	<u>-</u>	<u>5,916,296</u>
Governmental activities capital assets, net	<u>\$ 6,080,878</u>	<u>\$ 112,562</u>	<u>\$ -</u>	<u>\$ 6,193,440</u>

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Capital Assets (continued)

	Balance Beginning of Year as Restated (note 12)	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 144,040	\$ -	\$ 16,310	\$ 127,730
Less accumulated depreciation	<u>79,157</u>	<u>9,520</u>	<u>16,310</u>	<u>72,367</u>
Business-type activities capital assets, net	<u>\$ 64,883</u>	<u>\$ (9,520)</u>	<u>\$ -</u>	<u>\$ 55,363</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 3,000

Support services:

Administration

3,553

Operation and maintenance of plant services

2,938

Transportation

26,712

36,203

Unallocated depreciation

163,499

Total governmental activities depreciation expense

\$ 199,702

Business-type activities:

Food service operations

\$ 9,520

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Early Retirement	General Obligation Bonds	Special Assessment	Total
Balance beginning of year	\$ 34,042	\$ 4,455,000	\$ 60,892	\$ 4,549,934
Additions	-	3,905,000	-	3,905,000
Reductions	24,266	240,000	7,612	271,878
Balance end of year	<u>\$ 9,776</u>	<u>\$ 8,120,000</u>	<u>\$ 53,280</u>	<u>\$ 8,183,056</u>
Due within one year	<u>\$ 8,099</u>	<u>\$ 255,000</u>	<u>\$ 7,612</u>	<u>\$ 270,711</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 40% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits paid during the year ended June 30, 2004, totaled \$24,266. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

During the year ended June 30, 2004, the District issued \$3,905,000 of general obligation school refunding bonds. As a result of the crossover refunding, the District will reduce its total debt service requirements by \$251,361, with a net present value savings of \$167,026. The net proceeds of these bonds plus interest are included as cash with fiscal agent on the balance sheet since these funds have been set aside in an escrow account held by an outside fiscal agent. On the crossover date May 1, 2006 the cash with fiscal agent will be used to crossover refund the November 1, 1996 general obligation bond principal for years 2007-2016 amounting to \$3,690,000. The cash with fiscal agent and any income earned on this account will also be used to pay interest on the August 1, 2003 general obligation refunding bonds until that date.



PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Liabilities (continued)

Bonds Payable (continued)

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	November 1, 1996		
	Principal	Interest	Total
2005	\$ 255,000	\$ 225,927	\$ 480,927
2006	270,000	209,351	479,351
2007	290,000	195,851	485,851
2008	305,000	181,352	486,352
2009	320,000	165,796	485,796
2010	335,000	149,156	484,156
2011	355,000	131,150	486,150
2012	370,000	112,069	482,069
2013	395,000	92,181	487,181
2014	415,000	70,950	485,950
2015	440,000	48,644	488,644
2016	465,000	24,994	489,994
Subtotal	4,215,000	1,607,421	5,822,421

  

Year Ending June 30,	August 1, 2003		
	Principal	Interest	Total
2005	\$ -	\$ 118,805	\$ 118,805
2006	-	118,805	118,805
2007	365,000	118,805	483,805
2008	370,000	111,505	481,505
2009	380,000	102,995	482,995
2010	390,000	93,020	483,020
2011	400,000	81,710	481,710
2012	410,000	69,310	479,310
2013	430,000	55,985	485,985
2014	440,000	41,580	481,580
2015	460,000	26,180	486,180
2016	260,000	9,620	269,620
Subtotal	3,905,000	948,320	4,853,320
Total	\$ 8,120,000	\$ 2,555,741	\$ 10,675,741

During the year ended June 30, 2004, the District issued \$3,905,000 and retired \$240,000 of general obligation bonds.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Long-Term Debt (continued)

Special Assessment

The District was assessed \$86,000 for street construction in the year ended June 30, 2000. The assessment is payable in annual installments plus interest at 5.0% per year on the unpaid balance. Details of the District's June 30, 2004 indebtedness are as follows:

Year Ending June 30,	August 1, 2003		
	Principal	Interest	Total
2005	\$ 7,612	\$ 2,664	\$ 10,276
2006	7,612	2,284	9,896
2007	7,612	1,902	9,514
2008	7,612	1,522	9,134
2009	7,612	1,142	8,754
2010	7,612	762	8,374
2011	7,608	379	7,987
Total	\$ 53,280	\$ 10,655	\$ 63,935

During the year ended June 30, 2004, the District retired \$7,612 on the assessment.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$186,247, \$177,354, and \$175,071 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Panorama Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 9. Risk Management (continued)

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$399,600.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Panorama Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$200,632 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Contingency Lawsuit

The District has one ongoing lawsuit. The proceeding is still in the litigation stage and the outcome can not be determined at this time. However, if the outcome is adverse the District's commercial insurance should be sufficient to cover any loss.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 12. Restatement of Beginning Balances

The following beginning balances have been restated to properly reflect the cost and accumulated depreciation of School Nutrition Fund equipment as of June 30, 2003.

	<u>Equipment</u>	<u>Accumulated Depreciation - Equipment</u>	<u>Business-Type Activities/ Proprietary Fund Net Assets</u>
Balance, as previously reported	\$ 46,002	\$ 39,532	\$ 47,600
Adjustments:			
Capital assets	98,038	39,625	58,413
Balance, as restated	<u>\$ 144,040</u>	<u>\$ 79,157</u>	<u>\$ 106,013</u>

Note 13. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District’s programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 13. Accounting Change (continued)

	Fund			
	Debt			
	General	Service	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$ <u>617,688</u>	\$ <u>3,097</u>	\$ <u>282,995</u>	\$ 903,780
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$2,055,802				6,080,878
Long-term liabilities:				
Bonds			(4,455,000)	
Special assessment			(60,892)	
Early retirement			<u>(34,042)</u>	(4,549,934)
Accrued interest payable				<u>(42,537)</u>
Net assets, July 1, 2003, as restated				\$ <u>2,392,187</u>

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## Required Supplementary Information

PANORAMA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
and Proprietary Fund  
Required Supplementary Information  
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 3,284,989	\$ 143,830	\$ 3,428,819	\$ 3,485,595	\$ (56,776)
Intermediate sources	-	-	-	3,000	(3,000)
State sources	2,460,269	4,011	2,464,280	2,618,245	(153,965)
Federal sources	253,859	107,299	361,158	281,000	80,158
Total receipts	5,999,117	255,140	6,254,257	6,387,840	(133,583)
DISBURSEMENTS:					
Instruction	3,690,708	-	3,690,708	4,190,454	499,746
Support services	1,623,810	-	1,623,810	1,657,000	33,190
Non-instructional programs	9,719	240,415	250,134	272,217	22,083
Other expenditures	1,175,865	-	1,175,865	756,573	(419,292)
Total disbursements	6,500,102	240,415	6,740,517	6,876,244	135,727
Excess (deficiency) of receipts over (under) disbursements	(500,985)	14,725	(486,260)	(488,404)	2,144
Other financing sources, net	3,907,096	-	3,907,096	-	3,907,096
Excess (deficiency) of receipts and other financing sources over (under) disbursements	3,406,111	14,725	3,420,836	(488,404)	3,909,240
Balance beginning of year	1,376,137	45,475	1,421,612	1,344,112	77,500
Balance end of year	\$ 4,782,248	\$ 60,200	\$ 4,842,448	\$ 855,708	\$ 3,986,740

See accompanying independent auditor's report.



PANORAMA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,999,117	\$ 46,247	\$ 6,045,364
Expenditures	6,500,102	(66,731)	6,433,371
Net	(500,985)	112,978	(388,007)
Other financing sources	3,907,096	-	3,907,096
Beginning fund balances	1,376,137	(472,357)	903,780
Ending fund balances	<u>\$ 4,782,248</u>	<u>\$ (359,379)</u>	<u>\$ 4,422,869</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 255,140	\$ -	\$ 255,140
Expenses	240,415	20,895	261,310
Net	14,725	(20,895)	(6,170)
Beginning net assets, as restated	45,475	60,538	106,013
Ending net assets	<u>\$ 60,200</u>	<u>\$ 39,643</u>	<u>\$ 99,843</u>

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted.

## Other Supplementary Information

## PANORAMA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
Revenues:					
Local sources:					
Local tax	\$ 94,543	\$ -	\$ 264,489	\$ 12,772	\$ 371,804
Other	-	162,600	1,866	-	164,466
Total revenues	<u>94,543</u>	<u>162,600</u>	<u>266,355</u>	<u>12,772</u>	<u>536,270</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,517	-	9,182	-	12,699
Other instruction	-	169,193	-	-	169,193
Support services:					
Operation and maintenance of plant services	151,607	-	3,783	-	155,390
Transportation services	10,434	-	-	-	10,434
Other expenditures:					
Facilities acquisition	-	-	344,813	-	344,813
Total expenditures	<u>165,558</u>	<u>169,193</u>	<u>357,778</u>	<u>-</u>	<u>692,529</u>
Excess (deficiency) of revenues over (under) expenditures	(71,015)	(6,593)	(91,423)	12,772	(156,259)
Other financing sources:					
Interfund transfers in	-	-	300	-	300
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(71,015)	(6,593)	(91,123)	12,772	(155,959)
Fund balances beginning of year	<u>78,018</u>	<u>23,673</u>	<u>181,304</u>	<u>-</u>	<u>282,995</u>
Fund balances end of year	<u>\$ 7,003</u>	<u>\$ 17,080</u>	<u>\$ 90,181</u>	<u>\$ 12,772</u>	<u>\$ 127,036</u>

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 6,962	\$ 90,399	\$ 96,983	\$ 378
General Resale	265	5,511	5,202	574
Spanish Club	275	969	784	460
TAG	98	-	-	98
Dramatics	164	924	1,020	68
Student Council	645	1,778	1,593	830
MS Student Council	52	214	204	62
FCCLA	846	2,128	2,269	705
FFA	8,697	11,732	17,073	3,356
Panther Greenhouse Coop	1,034	865	1,096	803
Physics Club	-	10	-	10
Speech	750	174	533	391
FCA	82	-	-	82
Interest & Savings	574	328	-	902
Annual	(8,269)	7,247	9,321	(10,343)
Drill Team	(369)	1,886	2,630	(1,113)
Cheerleaders	(683)	5,492	4,729	80
Flags	300	-	129	171
Class of 2003	-	17	17	-
Class of 2004	2,868	4,494	7,362	-
Class of 2005	1,762	18,600	15,580	4,782
Class of 2006	200	3,235	1,049	2,386
Class of 2007	400	-	-	400
Class of 2008	-	933	-	933
Junior High Fund	2,540	2,029	464	4,105
Elementary	4,480	3,635	1,155	6,960
Total	\$ 23,673	\$ 162,600	\$ 169,193	\$ 17,080

See accompanying independent auditor's report.

## PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,914,410	\$ 2,736,727	\$ 2,631,370	\$ 2,647,215
Tuition	133,219	152,608	166,501	93,014
Other	296,759	233,609	252,527	219,204
State sources	2,459,527	2,730,171	2,574,124	2,402,722
Federal sources	241,449	233,061	214,368	138,926
Total revenues	<u>\$ 6,045,364</u>	<u>\$ 6,086,176</u>	<u>\$ 5,838,890</u>	<u>\$ 5,501,081</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,464,993	\$ 2,591,875	\$ 2,408,494	\$ 2,132,539
Special instruction	668,486	633,169	686,312	603,179
Other instruction	495,735	454,290	436,144	477,409
Support services:				
Student services	112,572	108,543	108,282	98,788
Instructional staff services	152,946	115,890	126,671	132,662
Administration services	460,704	497,602	484,179	432,236
Operation and maintenance of plant services	556,604	458,926	417,764	478,942
Transportation services	351,189	315,437	284,188	273,631
Non-instructional programs	-	113	-	-
Other expenditures:				
Facilities acquisition	344,813	52,603	59,289	22,059
Long-term debt:				
Principal	240,000	230,000	350,410	340,449
Interest and fiscal charges	384,697	256,776	275,818	294,116
AEA flowthrough	200,632	214,926	210,701	208,573
Total expenditures	<u>\$ 6,433,371</u>	<u>\$ 5,930,150</u>	<u>\$ 5,848,252</u>	<u>\$ 5,494,583</u>

See accompanying independent auditor's report.

PANORAMA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,914,410	\$ 2,736,727	\$ 2,631,370	\$ 2,647,215
Tuition	133,219	152,608	166,501	93,014
Other	296,759	233,609	252,527	219,204
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Non-instructional programs	-	113	-	-
Other expenditures:				
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Total expenditures	<u>\$ 6,433,371</u>	<u>\$ 5,930,150</u>	<u>\$ 5,848,252</u>	<u>\$ 5,494,583</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
Panorama Community School District:

We have audited the financial statements of Panorama Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 19, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Panorama Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Panorama Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-B-04, II-J-04, II-K-04 and II-L-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panorama Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04, I-B-04, I-D-04 and I-E-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Panorama Community School District and other parties to whom Panorama Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Panorama Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
October 19, 2004

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits, bank reconciliation, and the posting of the cash receipt journal are all done by the same person in the various funds. We also noted that the duties of preparing, signing, recording, and distributing payroll checks are all performed by the same individual.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement changes wherever possible. We have implemented some additional review procedures for receipts, collections and deposits.

Conclusion – Response accepted.

- I-B-04 Disbursement Approval – Out of forty disbursements tested, the Board had not approved three disbursements. The Board does have a written policy regarding payment prior to approval for certain types of expenditures. However, these particular payments were not later formally approved by the Board as the policy requires.

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements. All disbursements should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.”

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. In addition, the secretary, upon documentation of approval by the Board President, may issue warrants for other verified bills prior to Board approval when the Board is not in session. All such bills must then be approved by the Board at the next meeting.

Response – We have now implemented this recommendation as of January 2004.

Conclusion – Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-C-04      Disbursements – Out of forty disbursements tested, five were not fully supported by an invoice or receipt prior to the check being released for payment.
- Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.
- Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.
- Conclusion – Response accepted.
- I-D-04      Deposits to Bank Account – General Fund – In examining the receipts of the General Fund, we noted one deposit that was not made to the bank on a timely basis. This was a receipt that did not go directly to the Board Secretary when received by the District.
- Recommendation – Receipts should normally go directly to the Board Secretary. All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum.
- Response – We will try to ensure that the Board Secretary receives all receipts on a timely basis. We will also try to ensure that all receipts are deposited on a timely basis.
- Conclusion – Response accepted.
- I-E-04      Payroll Records – Out of twelve employees tested for payroll, one did not have a completed W-4 on file.
- Recommendation – All employees should have a completed W-4 on file.
- Response – We will obtain a W-4 from all employees.
- Conclusion – Response accepted.
- I-F-04      Payroll Timesheets – Out of twelve employees tested for payroll, one did not have a completed timesheet for one pay period on file to support the amount of wages paid.
- Recommendation – All hourly employees should fill out timesheets for their hours worked. The District should monitor the hours worked to ensure that the contracted hours have actually been worked by each employee.
- Response – We will make sure all hourly employees turn in a completed timesheet for each pay period.
- Conclusion – Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-G-04 Payroll – Out of twelve employees tested for payroll, one worked six hours less than required by the contract but the wages paid were not adjusted for the shortage.

Recommendation – The District should monitor the hours worked to ensure that the contracted hours have actually been worked by each employee and deduct any hours short from the contracted wage.

Response – We will monitor the hours worked and adjust wages paid as necessary.

Conclusion – Response accepted.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures functional area.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Student	General	Mileage to attend alternative high school	\$189

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the District should establish written policies and procedures, including the requirement for proper documentation.

Response – We have stopped reimbursing this expense for the year ending June 30, 2005.

Conclusion – Response accepted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

- II-G-04 Board Minutes – Except as previously mentioned in comment I-B-04, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, the interest rate on a time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation – The District should be aware of the current allowable rates to insure that at least the minimum rate is received for all investments. The certificate of deposit when renewed should be renewed at a rate of interest which conforms with current rates for public funds on the date of renewal.

Response – The certificate will be renewed at an allowable rate.

Conclusion – Response accepted.

- II-J-04 Certified Annual Report – We noted no material differences on the Certified Annual Report. However, the report was not filed with the Department of Education on a timely basis.

Recommendation – In the future, the District should file the Certified Annual Report in a timely manner.

Response – We will file our Certified Annual Report in a timely manner in the future.

Conclusion – Response accepted.

- II-K-04 Financial Condition – We noted that the Special Revenue, Student Activity Fund had a few deficit balances within the group of single activity accounts.

Recommendation – The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the condition and is making strides to eliminate deficit accounts.

Conclusion – Response accepted.

- II-L-04 Physical Plant and Equipment Levy – The proceeds of taxes levied under Chapter 289.3 of the Code of Iowa were used to pay for bond fiscal agent fees of \$451 and to purchase a stove for \$408. The total unallowable expenditures for the year ended June 30, 2004 was \$809.

Recommendation – The Physical Plant and Equipment Levy (PPEL) Fund may make expenditures only for the purposes stated in Chapter 298.3 of the Code of Iowa. Bond fiscal agent fees are not one of the allowable purposes. These fees should be paid from the Debt Service Fund. Equipment may be purchased from the PPEL Fund only if the value of the single unit of equipment exceeds \$500. The stove should have been purchased from the General Fund.

PANORAMA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

II-L-04      Physical Plant and Equipment Levy (continued)

Response – We will ensure that all future PPEL expenditures are in compliance with the Code of Iowa and bond fiscal agent fees are paid by the Debt Service Fund. A corrective transfer entry will be made to reimburse this expense to the PPEL Fund for the fiscal year ended June 30, 2004.

Conclusion – Response accepted.

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